

## Message Text

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PAGE 01 BONN 08412 01 OF 02 232103Z

72

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 H-02 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 AGR-10 DODE-00 PA-02 PRS-01 /118 W

----- 042865

R 232052Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0352

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 08412

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MAY 22)

REF: BONN 8296

1. BUNDESBANK LOWERS REDISCOUNT AND LOMBARD RATES:THE  
BUNDESBANK ON MAY 22 ANNOUNCED THAT THE REDISCOUNT AND  
AND LOMBARD RATES WOULD BE REDUCED BY 1/2 PER CENT EACH  
TO 4-1/2 AND 5-1/2 PER CENT RESPECTIVELY (SEE BONN 8296).

BUNDESBANK PRESIDENT KLASSEN AND ECONOMICS MINISTER  
FRIDERICHs STATED IN A TV INTERVIEW SUBSEQUENT TO THE  
ANNOUNCEMENT THAT INTERNATIONAL CONSIDERATIONS MADE IT  
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PAGE 02 BONN 08412 01 OF 02 232103Z

INADVISABLE TO LOWER THE REDISCOUNT RATE

FURTHER AT THIS TIME.

2. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK THE DOLLAR WEAKENED. ON MARCH 21 THE BUNDESBANK REPORTEDLY INTERVENED WITH PURCHASES OF \$13.75 MILLION. THE GERMAN FINANCIAL PRESS ATTRIBUTED THE WEAKENING OF THE DOLLAR MAINLY TO THE FURTHER DECLINE OF U.S. SHORT-TERM INTEREST RATES. SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS				
DISCOUNTS/PREMIA IN PCT.				
P.A.)				
	SPOT DOLLARS	ONE-MONTH	THREE-MONTH	
MAY 15	DM.2.3530	0.3	01.1	
MAY 19	GERMAN HOLIDAY			
MAY 20	2.3485	0.0	MINUS 1.0	
MAY 21	2.3395	PLUS 0.3	MINUS 0.9	
MAY 22	2.3350	MINUS 1.3	MINUS 1.4	

WITHIN THE JOINT FLOAT THE DEUTSCHMARK STRENGTHENED AGAINST ALL FLOAT CURRENCIES WITH THE EXCEPTION OF DANISH CROWNS. AT THE END OF THE REPORTING WEEK ALL FLOAT CURRENCIES WERE BELOW THEIR DEUTSCHMARK UPPER INTERVENTION POINTS.

3. MONEY MARKET: THE GERMAN CALL MONEY MARKET REMAINED TIGHT WITH CALL-MONEY AGAIN REACHING THE SIX PER CENT LOMBARD RATE. A FACTOR CONTRIBUTING TO THE TIGHTENING MAY HAVE BEEN HESITANCY OF GERMAN BANKS TO REDISCOUNT AT THE BUNDESBANK IN EXPECTATION OF A REDISCOUNT RATE REDUCTION. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH MONEY	THREE-MONTH MONEY
MAY 16	5.7-6	5.0-5.3	5.0-5.1
MAY 20	5.7-6	5.0-5.2	5.0-5.2
MAY 21	5.9-6.1	5.0-5.3	5.0-5.3
MAY 22	5.7-6.0	5.0-5.3	5.0-5.3

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PAGE 03 BONN 08412 01 OF 02 232103Z

4. MONETARY RESERVES: IN THE SECOND WEEK OF MAY (MAY 8-15) BUNDESBANK MONETARY RESERVES DECLINED BY DM 0.1 BILLION TO DM 83.1 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 123 MILLION AND GROSS LIABILITIES BY ABOUT DM 220 MILLION.

5. BANK LIQUIDITY: IN THE SECOND WEEK OF MAY BANK LI-

QUIDITY INCREASED BY DM 0.5 BILLION. PRINCIPAL  
FACTORS INCREASING LIQUIDITY WERE A DM 1.1 BILLION  
DECLINE IN THE BANKS' HOLDINGS OF RESERVES AT THE  
BUNDESBANK AND THE USUAL DECLINE OF CURRENCY IN  
CIRCULATION IN THE SECOND WEEK OF A MONTH (DM 0.4  
BILLION). THE ONLY MAJOR FACTOR REDUCING LIQUIDITY WAS

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PAGE 01 BONN 08412 02 OF 02 232110Z

72

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R 232052Z MAY 75

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 08412

A DM 0.8 BILLION INCREASE IN OFFICIAL NET ASSETS  
HELD AT THE BUNDESBANK. (THE LATTER INCLUDED INCREASE  
IN NET ASSETS OF STATE GOVERNMENTS BY DM 0.5 BILLION, OF  
THE FEDERAL POST OFFICE BY DM 0.7 BILLION AND OF OTHER  
PUBLIC AUTHORITIES BY DM 0.1 BILLION. THE FEDERAL

GOVERNMENT, ON THE OTHER  
HAND, INCREASED ITS NET BORROWINGS FROM THE BUNDESBANK  
BY DM 0.5 BILLION TO DM 2.6 BILLION.) OTHER FACTORS,  
NET REDUCED BANK LIQUIDITY BY DM 0.2 BILLION. THE  
BANKS USED THE INCREASE IN LIQUIDITY TO FURTHER REDUCE  
THEIR REDISCOUNT BORROWINGS.

6. BOND MARKET: DURING THE REPORTING WEEK FAZ AVERAGE  
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PAGE 02 BONN 08412 02 OF 02 232110Z

YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DE-  
VELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

MAY 16	8.68	8.73	8.38
20	8.70	8.73	8.35
21	8.68	8.72	8.34
22	8.69	8.72	8.34

ON MAY 21 THE FEDERAL GOVERNMENT ISSUED A DM 660 MILLION  
LOAN (COUPON 8 1/4 PERCENT, ISSUE PRICE 99 1/2, MATURITY  
8 YEARS NON-CALLABLE, YIELD TO MATURITY 8.34 PERCENT).  
THE CONDITIONS ARE THE SAME AS THOSE OF THE LAST PUBLIC  
LOAN WITH THE EXCEPTION OF THE ISSUE PRICE WHICH WAS  
RAISED FROM 98.5 TO 99.5 THEREBY REDUCING THE  
YIELD TO MATURITY FROM 8.52 PERCENT TO 8.34 PERCENT.  
DM 600 MILLION OF THE LOAN WERE PUBLICLY OFFERED, DM 60  
MILLION WERE RETAINED FOR OPEN MARKET POLICY PURPOSES  
OF THE BUNDESBANK. CURRENTLY THE FEDERAL GOVERNMENT,  
THROUGH THE BUNDESBANK AS ITS AGENT, IS SELLING 2-YEAR  
TREASURY NOTES ON A DISCOUNT BASIS AT AN INTEREST OF  
6 PERCENT AND A YIELD OF 6.60 PERCENT. ALONG WITH THE  
BUNDESBANK ANNOUNCEMENT REGARDING THE REDISCOUNT RATE  
REDUCTION (SEE REFTEL) THE INTEREST RATE ON THESE  
NOTES WAS REDUCED TO 5 7/8 PERCENT (YIELD 6.45 PERCENT).  
ON MAY 22 THE DUTCH ESTEL NV HOESCH-HOOGOVENS AND THE  
JAPANESE KAWASAKI STEEL CORPORATION OFFERED LOANS OF  
DM 100 MILLION EACH (ESTEL NV: COUPON 8 1/2 PERCENT,  
ISSUE PRICE 99, AVERAGE MATURITY 8 YEARS; KAWASAKI:  
COUPON 8 3/4 PERCENT, ISSUE PRICE 98.75, MATURITY  
7 YEARS NON-CALLABLE). ON JUNE 2 THE SWEDISH INVESTER-  
INGSBANK AB, STOCKHOLM, WILL ISSUE A DM 100 MILLION LOAN  
(COUPON 8 1/2 PERCENT, ISSUE PRICE 99, AVERAGE MATURITY  
6 1/2 YEARS). THE NORGES COMMUNALBANK IS CONSIDERING  
A DM 60 MILLION LOAN (COUPON 8 PERCENT, MATURITY  
5 YEARS NON-CALLABLE, ISSUE PRICE NOT YET DECIDED).  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CENTRAL BANK, DISCOUNT (EXCHANGE RATE), RESERVE DATA (FINANCIAL), BANK RESERVES, FINANCIAL PROGRAMS  
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**Copy:** SINGLE  
**Draft Date:** 23 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BONN08412  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750182-0654  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750520/aaaaarti.tel  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**TAGS:** EFIN, GE, BUNDESBANK  
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